

## Message Text

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ACTION OES-07

INFO OCT-01 EUR-12 ISO-00 AGRE-00 AID-05 COME-00 EB-07

IO-13 TRSE-00 USIA-15 EPG-02 L-03 AF-10 ARA-10

EA-09 NEA-10 /104 W

-----060318Z 013246 /72

R 050902Z MAY 77

FM AMEMBASSY ROME

TO SECSTATE WASHDC 4381

INFO USMISSION OECD PARIS

UNCLAS ROME 7282

E.O. 11652 N/A

TAGS: FAO, ETRD, OCON, UNWFC

SUBJ: COMMITTEE ON COMMODITY PROBLEMS DISCUSSION OF TRADE ITEMS  
AND ITS RELATION TO WORLD FOOD COUNCIL

FODAG

1. GROUP OF 77 DISTRIBUTED A LONG, 7-PAGE STATEMENT AT THE BEGINNING OF FAO COMMITTEE ON COMMODITY PROBLEMS. THIS APPROACH OF GETTING IN FIRST WORD AND SETTING TONE OF DEBATE IS GETTING TO BE A HABIT. FIRST HALF OF STATEMENT IS GROUP OF 77'S VIEW OF PROGRESS, OR LACK OF IT, OF INTERNATIONAL NEGOTIATIONS IN VARIOUS FORA. THIS MESSAGE QUOTES SEVERAL PASSAGES IN PARAS FROM GROUP OF 77 STATEMENT WHICH GIVE GENERAL TONE OF THIS STATEMENT AS WE MAY WELL HEAR IT AGAIN UNDER WORLD FOOD COUNCIL AGENDA ITEM ON TRADE. FAO DIRECTOR GENERAL SAOUMA IN HIS OPENING ADDRESS TO CCP ALSO ECHOED SOME LINE AS SEEN IN QUOTES FROM HIS ADDRESS IN PARA 3.

2. BEGIN TEXT: FROM GROUP OF 77 STATEMENT:  
OVER THE LAST TWO YEARS THE OVERWHELMING MAJORITY OF DEVELOPING COUNTRIES WITNESSED A CONTINUING DETERIORATION IN THEIR BALANCE OF PAYMENTS. THE EXTERNAL DEBT OF DEVELOPING COUNTRIES MAY HAVE REACHED AS MUCH AS 190 BILLION US DOLLARS BY THE END OF 1976  
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AND IT IS STILL INCREASING. DEBT-SERVICING HAS BECOME SUCH A SERIOUS BURDEN IN THE BALANCE OF PAYMENTS OF MANY DEVELOPING COUNTRIES THAT AN INCREASING NUMBER OF THEM HAVE BEEN FORCED TO RENEGOTIATE THEIR DEBT PAYMENT; BUT THIS LOOMING STORM HAS SO FAR FAILED TO ELICIT A FAVORABLE RESPONSE TO THE PLEAS FOR DEBT-RELIEF. THE TARGETS FOR OFFICIAL AID REMAIN UNFULFILLED, PARTICULARLY BY LARGE DONORS, AND THE PROSPECTS FOR A RAPID

EXPANSION OF TRADE ARE NOT AUSPICIOUS.

IT IS WITHIN THIS GLOMY CONTEXT THAT THE POOR PERFORMANCE OF AGRICULTURAL EXPORTS OF DEVELOPING COUNTRIES DESERVES SERIOUS CONSIDERATION. THE TOTAL VALUE OF OUR AGRICULTURAL EXPORTS REMAINED STAGNANT IN 1975, AND THE GAINS MADE IN 1976 WERE NOT SUFFICIENT TO COMPENSATE FOR THE HIGHER PRICES WE HAD TO PAY FOR OUR IMPORTS. THIS DETERIORATION IN OUR TERMS OF TRADE COMPOUNDS THE DIFFICULTIES ALREADY EXPERIENCED IN THE LIGHT OF THE LONG-TERM DECLINE OF OUR SHARE IN WORLD AGRICULTURAL TRADE.

ON TOP OF THESE DIFFICULTIES, THE COMMODITIES EXPORTED BY DEVELOPING COUNTRIES SUFFERED FROM AN UNPRECEDENTED DEGREE OF PRICE INSTABILITY OVER THE PAST TWO YEARS. HARDLY ANY MAJOR AGRICULTURAL COMMODITY WAS FREE FROM PRICE FLUCTUATIONS, IN SOME CASES WITH DISASTROUS EFFECTS. IT IS TRUE, OF COURSE, THAT PROBLEMS OF INSTABILITY IN SUPPLIES AND DEMAND, WITH THEIR RESULTING PRICE FLUCTUATIONS, ARE NOT NEW. IN FACT DEVELOPING COUNTRIES HAVE BEEN CLAMOURING FOR INTERNATIONAL ACTION ON MARKET STABILIZATION FOR SEVERAL DECADES, EVEN BEFORE THE CREATION OF THIS COMMITTEE. PRICE INSTABILITY IS OBVIOUSLY HARMFUL TO COMMODITY EXPORTING DEVELOPING COUNTRIES. BUT WHAT SEEMS TO BE FORGOTTEN IS THE FACT THAT PRICE INSTABILITY IS NOT IN THE INTERESTS OF IMPORTING DEVELOPED COUNTRIES EITHER.

ANOTHER PROBLEM WHICH IS INCREASINGLY SHOWING ITS DELETERIOUS EFFECTS ON DEVELOPING COUNTRIES IS THE COMPETITION FROM SYNTHETICS. THE MAJOR INROADS OF SYNTHETICS IN THE MARKETS FOR RAW MATERIALS ARE WELL KNOWN. HERE AGAIN, DEVELOPING COUNTRIES

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ARE CAUGHT IN A VICIOUS CIRCLE AS MARKET INSTABILITY STIMULATES THE EXPANSION OF PRODUCTION CAPACITY FOR SYNTHETICS IN INDUSTRIAL COUNTRIES. WHILE CROP FAILURES IN MAJOR PRODUCING REGIONS CAN SOMETIMES TRIGGER PRICE INCREASES, THE RAPID CONTRACTION OR EXPANSION OF DEMAND IN CONSUMING COUNTRIES, REFLECTING THE BUSINESS CYCLE, IS OFTEN A SOURCE OF INSTABILITY IN MARKETS FOR RAW MATERIALS.

END TEXT

3. BEGIN TEXT: FROM FAO DIRECTOR GENERAL'S STATEMENT:

IT IS DISAPPOINTING TO SEE, HOWEVER, THAT EVEN THE LIMITED CONSENSUS REACHED IN NAIROBI HAS BEEN CIRCUMSCRIBED BY RESERVATIONS. THESE HAVE PERSISTED IN THE RECENT NEGOTIATING CONFERENCE ON A COMMON FUND, WHICH WAS ENVISAGED AS A CENTRAL CATALYST OF THE ENTIRE COMMODITY PROGRAM. IF THESE RESERVATIONS ARE MAINTAINED, IT WILL THROW DOUBT ON WHETHER THERE IS A REAL DETERMINATION TO IMPLEMENT THE RESOLUTIONS OF NAIROBI.

AT THE SAME TIME, THE CONFERENCE ON INTERNATIONAL ECONOMIC

COOPERATION HAS CONSIDERED THE ISSUES OF RAW MATERIALS, ENERGY, AID, AND DEVELOPMENT, BUT HAS NOT YET RESOLVED ANY OF THE OUTSTANDING QUESTIONS BEFORE IT.

ON THE WHOLE, THEREFORE, WE MUST ALL FRANKLY FACE THE FACT THAT LITTLE OR NO PROGRESS HAS BEEN MADE. LET US HOPE THAT NEGOTIATING POSITIONS ARE NOW BEING SERIOUSLY RECONSIDERED, SO THAT THERE WILL BE A MORE POSITIVE RESPONSE WHEN ALL THESE DISCUSSIONS AND DIALOGUES ARE RESUMED LATER IN THE YEAR. THIS IS ESSENTIAL, IN MY VIEW, SO AS TO ENSURE THAT THE DISCOURAGEMENT CAUSED BY THIS LACK OF PROGRESS AND THE LIMITATIONS OF PAST COMMODITY AGREEMENTS, DOES NOT LEAD TO A RETREAT INTO A SELF-DEFEATING PROTECTIONISM OR A SETRILE AUTARCHY. END TEXT.  
GARDNER

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## Message Attributes

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**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Review Transfer Date:**  
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**Status:** NATIVE  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009